

MEMORANDUM

June 11, 2007

TO: Urban Services Committee

FROM: Nancy Brewer, Finance Director

NB

SUBJECT: Fees for Sidewalk Cafés

I. Issue

To provide information about models for fees for sidewalk cafés.

II. Discussion

At the Sidewalk Café meetings a number of issues have been raised about the fees the City currently charges for Sidewalk Café permits. People commenting at the meetings stated they thought the permit amounts (\$50 without alcohol and \$100 with alcohol service) were about right, too high, and too low. There were a number of suggestions about setting fees higher or lower, including the following models:

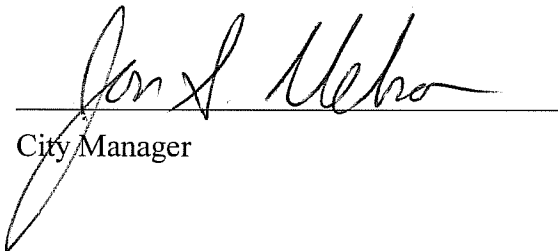
- The Franchise Fee Model – There was a suggestion to set the permit something like a franchise fee where a portion of the revenue from sidewalk cafes would be paid to the City. The franchise fee works well as a fee for utilities because the utility needs some mechanism to extend service to each and every piece of property within the city; using the City's right-of-way allows the utility to extend the service without also acquiring right-of-way. In addition, this model works well because every utility rate payer pays the cost for right-of-way usage on an equal basis. A similar model may not be conducive to sidewalk cafes, where the restaurant owner either would have to reduce profits from all operations, or charge sidewalk café users a higher fee to cover the permit fee (i.e., a mocha is \$2 in the restaurant, but \$2.10 at the sidewalk café to pay the 5% franchise fee). An additional challenge for the restaurant would be in developing a system to allow tracking sales at the sidewalk café versus sales inside the restaurant; at some restaurants, such as Starbucks, patrons make all purchases inside, then may sit inside, outside, or leave the building, making it more challenging to determine sidewalk café sales. Finally, staff would likely have difficulty determining whether or not the correct permit amount was being remitted.
- The Cover All Costs Model – This fee was discussed as an alternative which should include administrative costs to cover permit issuance, code enforcement, and police response to calls. Administratively, this fee would be a challenge to set and charge unless the charges occurred after the fact. So, for example, staff would track the amount of time spent with original permit issuance, and then with monitoring, responding to code complaints (i.e., fencing pushed out, signs in the right-of-way), or for Police response to noise/party type complaints. Then at the end of each month these costs could be tallied and billed to each restaurant. An alternative would be to determine the amount of staff time spent on all functions, then setting a sidewalk café permit fee that was the average of those costs and charge each restaurant the same fee at the time of application. One drawback of this model would be that sidewalk cafes which meet all permit criteria could pay a higher permit fee due to poor compliance by other entities.

- The Tiered Fee Model – This fee model would mirror some communities which have set a base fee that applies to either a certain number of square feet of outdoor seating or number of tables, then increases the fee for each increment above that base. Both Eugene and Ashland have fee models that are based on a base amount plus some amount per table or chair in the outdoor seating area. Eugene’s charge is paid each month that outdoor seating is in place. The advantage of basing the fee on square footage of sidewalk space used is that the number would not change from day-to-day (assuming the issue surrounding borders for sidewalk cafés was resolved), as it might if based on number of chairs or tables.
- The Cover the Costs of Permit Issuance Model – This is the model currently in place. In this model, the permit fee is set to cover the costs of staff time for basic permit issuance. Staff time includes a review of the drawings that show where the outdoor seating will be, a site visit to confirm the information in the permit, and staff time to track the permit. Costs for the permit have not been reviewed for several years, and could be different than they have previously been if one of the results of this discussion is a revision in permit issuance process.
- The No Fee Model – While not explicitly requested, it is an option to require no permit. The Downtown Strategic Plan suggests streamlining the permit renewal process, which would likely include either no renewal fee or a reduced renewal fee since less staff work would be required. This model is supportive of sidewalk cafés as an economic development engine, but also provides no revenue to offset staff costs for enforcement of the code.

III. Requested Action

Staff is not requesting action on this item at this meeting. Rather, this information is provided for the Committee’s consideration, and can be used to provide direction to staff on a model to more fully develop.

Review & Concur:



City Manager